position that status-quo of present "piggyback" operations should be maintained pending determination of legal questions involved in the inquiry. The executive committee, as the A.T.A. announcement put it, "also adopted as the trucking industry policy," this pronouncement:

"That A.T.A. endorses the principle that railroads should not be permitted to transport their own freight in their own or leased vehicles in coordinated rail-trailer operations except to the extent authorized by a certificate of public convenience and necessity issued under Part II of the Interstate Commerce Act."

Supreme Court to Consider N. Y., Phila. Loading Fees

The United States Supreme Court has agreed to review a lower-court ruling which upheld Interstate Commerce Commission decisions that permit railroads to charge for loading and unloading carload shipments of fresh fruits and vegetables at New York and Philadelphia.

Two commission decisions are in issue—a report of October 4, 1948, which authorized establishment of the charges, and a report on reconsideration, dated May 7, 1952, which permitted continuance of charges but required that they be reduced.

Two court cases are involved, the Secretary of Agriculture being complainant assailing the commission orders in one of them. Complainants in the other include Florida Citrus Commission and the Growers and Shippers League of Florida. The lower court which upheld the commission was a special three-judge court sitting in the United States District Court for the Southern District of Florida.

Rates & Fares

I.C.C. Proposes to Ease Tariff-Posting Requirements

The Interstate Commerce Commission has served notice of a proposal to modify tariff-posting requirements imposed on railroads and water carriers by Sections 6 and 306 of the Interstate Commerce Act. Those sections grant the commission authority to modify their requirements.

The commission's proposal is responsive to a petition filed by the Railroads' Tariff Research Group, which is engaged in an undertaking to simplify and otherwise improve tariffs.

The commission's notice said its proposed revision would change present posting regulations in these respects:

(1) Eliminate the requirement that each carrier file with the commission in the form of a tariff, and keep current, lists of tariffs in the files at each station where tariffs are required to be posted. Instead, tariff lists would be furnished the station agents concerned and they would be required to keep their tariff files complete.

(2) Eliminate the plan of naming points at which carriers must maintain tariff files. While the commission would retain power to name specific points, the proposed regulations would merely fix the number of tariff files to be maintained, based on the size of the carrier, and would permit the carrier to select the places.

(3) Eliminate the requirement that tariff files be inspected annually by traveling auditors or inspectors. A general admonition would be substituted to allow the carriers latitude to place in effect a system of "continuous control . . . looking toward the maintenance of tariff files in complete and readily accessible form."

Interested parties have until April 18 to advise the commission in writing "of any cause or reason why the commission should not hereafter prescribe" the proposed regulation. No formal hearing is contemplated, but informal conferences with members of the staff of the commission's Bureau of Traffic may be had, the notice also said.

Family Fares Cut Further

Children to go for quarter of one-way fare on UP, C&NW and Wabash—Extra fare lowered by Rock Island and SP—San Francisco commuters look over a Burlington gallery car

Western railroads in recent months have kept their passenger business in the public eye through a wide variety of developments—most of them designed with pocketbook appeal. Their "campaign" began last fall with introduction by many roads of a family-fare plan (*Railway Age*, September 21, page 12). Next came general revisions in Chicago-Los Angeles service by the Union Pacific, the Chicago & North Western and the Santa Fe (*Railway Age*, December 14, page 11).

Now the UP, the C&NW and the Wabash have agreed to make an even stronger bid for family travel, with reduction of fares for children between five and 12 to one-quarter of the one-way fare. As a further concession to family convenience, the head of the household may return to the point of origin on any day of the week independent of the family. (Under the original plan, the family had to travel together in both directions.)

These new features of the plan will go into effect March 1 and the three roads have agreed to extend the plan until January 6, 1955. It applies on all trains on the UP and all except Chicago commuter trains on the North Western. On the Wabash, it is applicable only to travel on trains operated jointly with the UP. E. A. Klippel, general passenger traffic manager of the UP, said "enthusiastic public reception" caused continuation of the plan, which began as an experiment to last only until February 28 of this year.

Extra Fare Cut—Another new development in the Chicago-Los Angeles field is reduction of the first-class extra fare charged on the "Golden State" of the Rock Island and the Southern Pacific. Formerly $10, it has been reduced to $7.50—the same as is charged on the Santa Fe's "Super Chief." The coach-class extra fare remains at $3.50.

The train itself is getting a new all-stainless steel exterior. Originally the equipment was bright red from rooftop to belt rail and stainless steel below.

Commuters—The SP recently borrowed one of the Burlington's gallery-type double-deck suburban coaches and put it on display in San Francisco's Third Street Station. The SP is considering purchase of new equipment for its San Francisco peninsula suburban service and asked its commuters what they thought of the gallery car. The inquiry was by postal card, replies have not been completely tabulated.

Coming—Early this summer the Santa Fe will bid for a share of Chicago-San Francisco traffic, when it introduces the new "San Francisco Chief."

R. T. Anderson, general passenger traffic manager, told some 200 of the road's passenger men, convening at Chicago January 29 and 30, that full-length dome cars now being built by the Budd Company will be placed in operation on the new San Francisco train; on the Chicago-Los Angeles all-coach "El Capitan," and on the "Kansas Cityan" and "Chicagoan" between Chicago and Kansas City.

Tariff Simplifier Will Be Argued February 17

February 17 is the date set for oral argument which the Interstate Commerce Commission's Division 2 will hear on the railroads' application for general relief from the long-and-short-haul clause of the Interstate Commerce Act's fourth section.

The application is F.S.A. 28580, and the relief sought would permit railroads with indirect routes to meet the competition of direct routes without circuity limitations or other restrictions of any kind. The proposal is part of the tariff simplification program being carried out by the Railroads' Tariff Research Group.

Meanwhile, Division 2 has postponed, "until further order," the effective date

of circuity limitations which the commission attached to the Fourth Section relief it granted in connection with the No. 28300 class rate adjustment. Such postponement was sought in a pending railroad petition (*Railway Age*, January 11, page 212) which will also be involved in the February 17 argument.

Tariff Simplification in 1953

Report of railroad committee shows how general phase of project has moved far toward completion; savings seen

That phase of the railroads' tariff-simplification project which is concerned with the standardization of tariffs and tariff-making with respect to form, style, arrangement and typographical design moved far toward completion in 1953.

This was pointed up in a report made recently by the Administrative Committee of railroad traffic officers which supervises the work of the Railroads' Tariff Research Group. The report covered last year's activities of the group which consists of Chairman Charles S. Baxter, Alan M. White, and Edward V. Grosvenor.

Moving Along—That part of the project referred to above is called Section A, Tariffs in General. Of progress made on it last year, the report said:

"With the exception of routing provisions and the general rules of tariffs this particular program is approximately 80 per cent completed, and it is the results of this work which are showing up in new tariffs as they are issued. It has to be kept in mind that most of the tariffs had been reissued (or were well along in the process of reissue) to pick up the general increases when the tariff improvement program was launched, and the comprehensive scheme of recently conceived tariff-making specifications will not show up in them until they are next reissued."

As to routing provisions, the report went on to say that the research group's studies of that matter are "well advanced," and that "material progress" can be made once an understanding can be had with the Interstate Commerce Commission "concerning the varying shackles which have been placed upon indirect routes in the administration of the fourth section." That situation is now before the commission in the railroads' Fourth Section Application No. 28580.

Savings Per Minute Add Up—To point up prospective benefits from this general phase of the simplification project, the report referred to "a recent advertisement in *Railway Age*" which "emphasized the value and importance of a saving of one minute per freight train-mile through the use of the advertiser's product." Many of the tariff improvements adopted, the report added, "will effect a saving of a minute or more per rate check next year and for years to come, during which time the railroad rate clerks, claim clerks and auditors and the shippers will have checked literally trillions of rates."

Later on the report said that savings of "between a quarter and a half million dollars a year" will result from "by-products" of the group's work which have turned up in the form of "ways to streamline processes, eliminate unnecessary steps and actions and reduce administrative work-loads." In this one area, the report also said, "the total cost of maintaining the group has been repaid several times over." The group's 1953 expenses were $75,999.

As to eventual savings and benefits, however, the report had this to say: "The entire program is geared to achieve savings to railroads and other interests employing tariff users through so improving the efficiency of tariffs as to get more and better work from this large group of employees. . . While tangible benefits can already be seen, the investment made in carrying on this work is as yet largely an investment toward future rewards in the form of greater efficiency."

Rate-Makers Must Help—Meanwhile, the report had dealt briefly with other phases of the simplification project which include a program concerned with substantative tariff matter (commodity description, rate alternations, application of intermediate rules, etc.) in its relation to tariff complexity. "These," the report added, "are matters basically within the control of the rate makers and their organizations since they necessarily must touch upon rate application and the . . . group cannot enforce remedies. It can and does make exhaustive surveys and indicate plausible and productive remedies and courses of action. But the success or failure of this part of the program is dependent upon the stewardship of the rate-making organizations."

N.I.T. LEAGUE HAS "FULL CONFIDENCE" IN PROGRAM

After reading the report on tariff simplification which was made by the railroads' Administrative Committee, John W. Peters, chairman of the National Industrial Traffic League's Cooperating Committee, made this comment:

"Completely satisfactory progress was made during 1953 by the group, and the league at its annual meeting in New Orleans in November of 1953 expressed full confidence and appreciation for this activity . . .

"We look forward with zest and high hopes for greater accomplishments during 1954 under the able leadership and planning of the Tariff Research Group."

Traffic

Rock Island Joins Dallas Industrial District

The Rock Island has joined with the Brook Hollow Industrial District near Dallas, Tex., and will serve exclusively all industries that in the future may locate on a 350-acre triangle which fronts along the road's main line. The road's industrial development and freight traffic staffs will work with the district organization to develop the area through location of light and heavy industry and warehousing.

The Missouri-Kansas-Texas, which serves another portion of the new district, has already begun construction of trackage, according to an announcement by President Donald V. Fraser. The project entails construction of an overpass to cross Harry Hines boulevard and connect district land with the road's Denton branch. It is contemplated that this work will be completed about March 1.

Department of Defense's Transport Office Realined

There has been a realinement, within the Department of Defense's Transportation Division, of functions assigned to the Traffic Management Branch and the Transportation Planning Branch.

This was announced February 1 by Earl B. Smith, the department's director of transportation and communications. He explained that the purpose of the realinement was two-fold: To provide more effective relationships with other units of the department, other federal agencies, and the transportation industry; and to consolidate within the Transportation Planning Branch functions formerly handled by the assistant for international planning.

Staff director for transportation, under Mr. Smith, is Colonel Norman H. Vissering. Heading the branches are William P. Guiler, assistant for transportation planning, and Francis X. Dunleavy, assistant for traffic management.

Within the Transportation Planning Branch is a Land Transportation Section, of which C. A. Simpson is chief. Chiefs of the branch's other two sections (air and water transport) will

be appointed "shortly," the February announcement said.

The three sections of the Traffic Management Branch and their chiefs are: Freight Traffic, Allen J. O'Brien; Passenger Traffic, Earle S. Newman; Cost and Statistical Analysis, Delbert M. Steiner.

Advisory Board Complacency?

Shippers must speak up; be frankly and hopefully critical of rail services "if we are mutually to benefit." Lackawanna chief warns Mid-West board

"During the past six months I have been shocked and dismayed to have responsible shipper representatives in the province of four different shippers advisory boards talk to me with concern about the lessening interest in the boards and their work. Why is this so?," Perry M. Shoemaker, president of the Lackawanna, asked more than 600 members of the Mid-West Shippers Advisory Board and the Traffic Club of Chicago at a joint luncheon January 21.

"Looking at both shippers and railroad men, I wonder if we have drifted toward regarding the advisory board as an implement for emergency use—car shortage, heavier loading, wartime problems, etc.—rather than a vehicle for progressive and constructive improvement in railroad transportation by means of frank discussions between us. I detect indications of complacency. I suspect failure to be frankly and hopefully critical. Limiting discussion to the results of yesterday, rather than to the needs and plans for tomorrow, does not build better transportation."

It is easy to recite details of the railroads' $9-billion post war improvement program, the application of new operating techniques, and the resulting new highs in operating efficiency, Mr. Shoemaker said.

"But this does not answer one fundamental question—how satisfactorily has been the handling of the shipper's individual carload, or his less-carload shipment? Mass transportation statistics must stand the test of analyzed individual movements. It is in this field that 1954 brings us our great challenge and our great opportunity, for it is here that we do not measure up to the standards within our reach. The handling of too many individual cars and shipments is susceptible of much improvement. That is why I urge shippers and railroad people alike to use the front door approach and face existing facts."

L.C.L.—Speaking "very bluntly" about less-carload freight, he said that last year the Lackawanna had an operating ratio on such traffic of about 80 per cent—"including a portion of yard expenses not recoverable if no l.c.l had been handled." He continued: "That means we want every shipment of less-carload freight we can secure. We are advertising for it. We are soliciting it. In plain language, however, a substantial part of longer distance interline movement is not well handled and for this I charge the shipping public with at least partial blame."

A satisfactory overall service cannot be provided, he stated, if tonnage is largely limited to small shipments for small points ("shipments which our common carrier status requires us to handle but which our competition all too often seems reluctant to encourage").

The absence of "foundation freight" (basic cars between larger centers) means repetitive loading at intermediate transfers with high carrier rehandling cost; exposure to damage; and delay. "I urge volume shippers of l.c.l. freight to reexamine critically the shipping policy of their respective companies."

For RR Traffic Men.—To railroad traffic men in his audience, Mr. Shoemaker said:

- "If our service fails to meet the need of a customer, if it fails to satisfy, your job is to raise the roof with your operating associates until it does. And there is not a railroad president who will not stand behind you.
- "If rate adjustments are necessary to fit the needs of our customers, and if they are honestly justified from their standpoint and ours, then go after them the same way through traffic channels established for that purpose."

Board Action—Before Mr. Shoemaker's talk, members of the board heard:

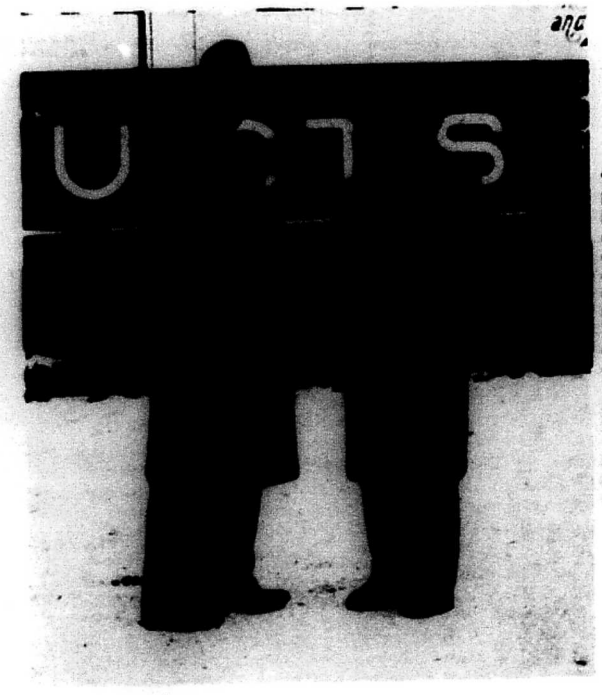
(1) Strong demands by representatives of machinery and farm equipment manufacturers for an increase in the size of the nation's flat car fleet;

(2) W. E. Callahan, manager of the Open Top Section of the A.A.R.'s Car Service Division, attribute the present "recession" to reduction of inventories "which should level off soon," with carloadings returning to a basis more nearly comparable to last year;

(3) Criticism from shippers of car shop-force layoffs during a "temporary lull in traffic which could be advantageously used for repairing bad orders and upgrading other cars"; and

(4) The l.c.l. committee suggest publication of more through schedules; a six-day work week at freighthouses; better records at transfer points to assist tracing; substitution of trucks for box cars on cross-town (intra-terminal) traffic; and faster, more accurate tracing information.

Elected—C. R. Purcell, manager, transportation department, Quaker Oats Company, Chicago, was elected general chairman of the board to serve throughout 1954. P. G. Jefferson, general traffic manager of Fairbanks, Morse & Co., Chicago, was elected alternate general chairman, and A. C. Shaw, traffic manager, Curtis Company, Clinton, Iowa, was named general secretary.



TWO RAILROAD PRESIDENTS—**Frederic C. Dumaine (left), president and chairman of the New Haven, is greeted at Presque Isle, Me., by Curtis M. Hutchins, president and chairman of the Bangor & Aroostook, early in January. Both men spoke to more than 100 members of the Presque Isle Rotary Club and visited potato storage houses.**

How to Avoid Dangers In "Piggyback" Service

Two weeks ago in this space there was begun a discussion of the trailers-on-flat-cars, or "piggyback," project. The viewpoint was there advanced that some use of this arrangement by the railroads was desirable—the real question being just how to adapt the device to railroad service, while minimizing some of the attendant difficulties.

Many railroad operating people are quick to sense the obvious mechanical and service advantages of such an operation, viz., high utilization of railroad equipment, high-speed over-the-road service, and the simple, economical terminal operations which minimize the need for yards and switching service.

Most traffic people, on the other hand, are properly cautious, because they are more aware than most other railroad men are of the serious difficulties to be overcome in connection with this service. Some of them, indeed, see in T-O-F-C a mechanism which might crack existing tariff structures wide open, bring about wholesale diversion of existing rail traffic to trucks, and exert strong pressure to reduce rates on all traffic remaining on the rails. These misgivings deserve careful attention, as do the legalities and technicalities of the entire subject.

The Interstate Commerce Commission has agreed to answer some of the unanswered questions about this service, but, in general, it would appear that the essential outline of what may be done is defined with reasonable clarity in the Interstate Commerce Act and in the rulings of the I.C.C. in the so-called Substituted Freight Service case (Ex Parte 129) in 1939. Such conclusions as the following seem to be justified:

1. Joint motor-rail-motor rates and services—a legal basis upon which "piggybacks" might be operated—would appear to be permitted and authorized by Section 216 (c) in Part II of the Interstate Commerce Act. Subsequent rulings of the commission, as we understand them, have had the effect of restricting such joint rates and service to common carriers—both rail and motor. In other words, it would not appear that a common carrier railroad may enter joint rate or service arrangements with any but a motor common carrier.

2. The act further provides that the participating common carriers must enter into an agreement for a division of the total revenue received from each movement. The only tariff required, apparently, is a directory published by the motor common carrier, in which the interested railroad concurs, showing the points between which rail service may be substituted for highway, and the names of the carriers involved. The motor carriers' tariffs must refer to this directory. The act does not specify how the division of revenues should be made, but it might appear advisable for the railroads to establish their divisions on a fixed charge basis—though they might legally seek a percentage of the total revenue, if any motor carriers can be found to go along with such an arrangement.

3. No railroad may enter into a substituted service (or piggyback) agreement with a motor common carrier unless that motor carrier has authority to operate by highway between the points where substituted service is to be offered. Any restrictions imposed on the highway certificate, as to commodities handled or communities served, would likewise govern the substituted service by rail. Violations of the motor carrier's certificate are the sole responsibility of the motor carrier; the railroad is in no way obligated to police compliance. There seems to be nothing to prevent a railroad, in making a joint rate agreement with a motor common carrier, to impose commodity restrictions of its own to protect certain shipments which might otherwise become subject to diversion.

4. Joint rate and service agreements with contract truckers would appear to be clearly prohibited by the Interstate Commerce Act. The commission has further held that contract truckers may not avail themselves of any tariff arrangements because "no carrier may assume the position of a shipper for one part of his services, while being a carrier as to another." It does not, therefore, appear to be legally possible for a railroad to handle, under any conditions, loaded trailers belonging to a contract trucker.

5. Joint rates with freight forwarders are not permitted by law, but the situation with respect to their moving traffic in trailers on a tariff basis is somewhat confused. Regardless, however, of what is permitted, there does not appear to be anything in the law to compel the railroads to publish tariffs or enter into T-O-F-C agreements with forwarders.

6. Private trucks and trailers may be handled only on the basis of legally filed, published tariff rates. As a practical matter, such rates would probably have to be on an "all commodity" basis.

and, if low enough to attract traffic, would run the risk of possible large-scale diversion of existing railroad freight to a lower rate basis. Since there is no obligation to publish such tariffs, it seems certain that most railroads would be extremely reluctant to take this step. By simply refraining from publishing piggyback tariffs available to all, it would seem to be possible to avoid the one opening which really would make possible large-scale diversion of existing traffic to lower-rate movement.

There are other aspects to this T-O-F-C operation—on the plus as well as the minus sides—which will be discussed here in subsequent issues. After a great deal of investigation and study, our conclusion has been that the possibilities of this service—for good as well as for harm—become more impressive the more they are examined. The railroads would do well not to overlook the favorable possibilities—but, at the same time, it never was good practice to buy a pig (or a piggyback) in a poke.

How to Construct Competitive Rates

Our contemporary, The I.C.C. Practitioners' Journal, in its January issue, has published a couple of highly constructive articles which are worthy of the attention of everyone with a serious interest in transportation policy—particularly as it refers to rates and regulation.

One of these articles is entitled "Use of Costs in Making Competitive Rates," by William B. Saunders, transportation consultant. Mr. Saunders brings out very clearly some of the essential differences between the cost characteristics of railroad service and those of truck service, and the consequent differences which should govern an economic approach to rate-making by the two types of transportation. He makes very clear that the usual methods of comparing "out-of-pocket" costs of the two types do not provide fairly comparable figures.

He also gives due weight to the most important fact that, from the shippers' standpoint, transportation costs include "internal" costs—quite separate from the charges paid to carriers. If one carrier minimizes the shippers' "internal" costs (e.g., intraplant movement, packaging costs, etc.) then this carrier may, even with higher rates, have an advantage over a competing carrier. The shipper, as Mr. Saunders points out, "makes the final selection in terms of his own total cost rather than in terms of the truck and rail costs." He also points out that the "ceiling" on railroad rates is not the rate of common carrier trucks (less compensation for any advantage that trucks may enjoy in minimizing the shippers' "internal" costs); instead, the "ceiling" on the rates of both truck and rail common carriers lies at the total cost to the shipper of providing contract or private transportation. There is a good deal of pencil work going on these days in the area of competitive rate-making and Mr. Saunders' observations should provide practical guidance for many who are making calculations of this kind.

Another constructive article in the same issue of the Journal is the complete text of the recent speech of Charles L. Dearing, deputy undersecretary of commerce for transportation, which was reported, in part, in our issue of January 11, and commented upon in this space two weeks ago.

Rate Making Rule Indefensible

The current issue of the Journal also contains an article by the distinguished practitioner, R. N. Burchmore, in which he defends the existing rule of rate-making of the Interstate Commerce Act. Any arguments which can be advanced in favor of the present rule, it seems to us, are nullified by the fact that the rule hasn't worked. That is to say, even in a time of maximum traffic the rule has not operated to give the railroads earnings comparable to those of other industry—and which the railroads must have if they are to have access to an adequate supply of investment capital. Mr. Burchmore fears that the elimination of the "movement of traffic" clause would "destroy rate regulation." Our opinion, perhaps not unprejudiced, is that rate regulation is not an end in itself. If it cannot be contrived in a manner to give the regulated business the same opportunity to stay in business that unregulated business enjoys, then it is a cure which is worse than the disease.

Rate regulation was initiated to protect the public from arbitrary monopoly pricing—an opportunity which has now almost entirely vanished, even if regulation were abolished. The justification for continued regulation must lie in its (still unproved) ability to make the highly competitive transportation market somewhat more orderly than it would be otherwise—while not denying to any agency the right to bid for all traffic for which it possesses an "inherent advantage," and an opportunity to earn a return comparable to those obtainable in unregulated business. If regulation cannot exist (as Mr. Burchmore appears to believe) without retaining features which experience has shown to be lethal to the regulated business, then so much the worse for regulation.